

**MINUTES
SCHOLARSHARE INVESTMENT BOARD**

September 8, 2011

Chair Patricia Wynne, called the meeting to order at 1:08 p.m.

Present:

Members: Patricia Wynne for Bill Lockyer, California State Treasurer
Richard Gillihan for Ana J. Matosantos, Director of Finance
Lawrence Hershman
Rhonda Johnson
Mark Vargas

Staff: Zeny M. Agullana, Executive Director, ScholarShare Investment Board
(SIB or Board)
Arlene Greene, Deputy Director, SIB
Stanley Zeto, SIB
Sue Lim, SIB
Brian Gorban, SIB
Joyce Eriksson, SIB
Bob Hedrick, Staff Counsel, State Treasurer's Office (STO)

Consultants: Jeremy Thiessen, Principal, Pension Consulting Alliance, Inc. (PCA)
Eric White, Senior Analyst, PCA

Fidelity: Joe Ciccariello, Vice President, Tax Exempt Market, Relationship Management,
Fidelity Investments (Fidelity)
Matt Golden, Vice President, College Savings, Fidelity Investments Institutional
Services (FIIS)
Chris Sharpe, Portfolio Manager, Fidelity

TFI: Doug Chittenden, President, TIAA-CREF Tuition Financing, Inc. (TFI)
Pam McNulty, National Director, Program Relationship & Marketing
Management, TFI
Joe Del Grande, Senior Director, Operations, TFI
Ed Mihallo, Director, Investment and Product Strategy, TFI

Chair Wynne declared a quorum present.

Board Agenda Item Number One
Approval of Minutes from June 30, 2011 ScholarShare Investment Board Meeting

The minutes from the June 30, 2011 SIB meeting were presented to the Board.

Board Action

Member Vargas moved to approve the item before the Board, the minutes from the June 30, 2011 SIB meeting. The motion was seconded by Member Johnson and the motion was approved by the Board, with an abstention from Member Gillihan.

Board Agenda Item Number Two
Executive Director's Report

Ms. Zeny Agullana, SIB, presented the Executive Director's Report, providing an update on recent activities.

Mr. Stanley Zeto, SIB, provided updated account and asset data for the ScholarShare College Savings Plan (Direct Plan) and ScholarShare Advisor College Savings Plan (Advisor Plan), and a brief update on the Governor's Scholarship Programs (GSP).

Ms. Arlene Greene, SIB, provided a legislative update and an overview on marketing and outreach efforts completed during the previous quarter and planned for College Savings Month in September through October.

Ms. Greene also provided an update on CalSAVE, reporting that both of the pilot sites for the selected programs had opened accounts and anticipated utilizing the funds this fall.

Board Agenda Item Number Three
Introduction of TIAA-CREF Tuition Financing, Inc. and Update on Program Management Transition for the ScholarShare Direct Plan

Ms. Agullana introduced the team from the new Direct Plan program manager, TIAA-CREF Tuition Financing, Inc. (TFI), and reported the transition activities are on track and running smoothly.

Mr. Doug Chittenden, TFI, provided a brief overview of TFI and highlighted TFI's dedication to college savings.

Mr. Ed Mihallo, TFI, provided an overview of the new investment portfolios to be offered by TFI and a look at how the existing portfolios would be mapped over to the new portfolios.

Ms. Pam McNulty, TFI, reported that TFI customizes each of its state plans based on each state's requirements. Ms. McNulty assured the Board that TFI supports educating families about the importance of saving for college with a ScholarShare 529 college savings plan. Ms. McNulty highlighted the use of technology as an important tool to make it easy for participants to open and

manage their accounts. She provided details on the enhanced website and the mobile applications for smartphones.

Member Hershman suggested the transition to a new program manager was a good opportunity to engage colleges and universities, as well as alumni groups, to support saving for college with a 529 account. Mr. Chittenden agreed and assured that TFI would provide leadership in delivering the message.

Member Vargas inquired about the marketing strategies that would be used to reach lower and middle income families. Ms. McNulty reported that eight field consultants, including two bilingual representatives, would be hired with the objective of supporting underserved communities through the use of multiple touches such as billboards, radio, and television advertising to promote the message of saving for college and the idea that families can do it. Member Vargas also inquired how TFI planned to track the success of the marketing efforts. Ms. McNulty replied that a number of tracking mechanisms were being explored including vanity urls and dedicated telephone numbers.

Ms. McNulty provided an update on the pre and post transition communications to participants. Ms. McNulty confirmed that TFI's goal is to make the transition as seamless as possible for account owners. Mr. Del Grande provided an overview on the transition including a timeline and detailed plan highlighting distinct key phases. Mr. Del Grande reported that TFI will have a dress rehearsal of the transition in mid-October.

Member Hershman commended TFI and Fidelity for their cooperative efforts during the transition.

Board Agenda Item Number Four

Resolution to Enter Into Contract for Program Management Services for the ScholarShare Advisor Plan

This agenda item will be addressed at a later ScholarShare Investment Board meeting.

Agenda Item Number Five

Resolution to Approve Amendment to Agreement No. SIB 05-05 for Program Management Services for the ScholarShare 529 College Savings Plans

Ms. Agullana reported that the agreement with Fidelity for program management services for the Direct Plan and Advisor Plan is set to expire in November 2011. Ms. Agullana recommended that the agreement with Fidelity be amended to extend the term of the current contract to accommodate transitions for the Direct Plan and Advisor Plan.

Board Action

Member Hershman moved to approve the item before the Board, Resolution No. 2011-06, Resolution of the Scholarshare Investment Board relating to the approval of an amendment to agreement No. SIB 05-05 relating to the extension of the term of the agreement. The motion was seconded by Member Vargas and approved by the Board.

Board Agenda Item Number Six
Resolution to Approve Changes to the ScholarShare Statement of Investment Policy

Ms. Agullana reported that as part of its annual review and the anticipated program manager transition of the Direct Plan in November, SIB staff and PCA, with input from TFI, are proposing changes to the ScholarShare Statement of Investment Policy (Investment Policy). Ms. Agullana and Mr. Jeremy Thiessen, PCA, provided an overview of the changes.

Board Action

Member Hershman moved to approve the item before the Board, Resolution No. 2011-07, Resolution of the ScholarShare Investment Board relating to the approval of changes to the ScholarShare Statement of Investment Policy. The motion was seconded by Member Johnson and approved by the Board.

Board Agenda Item Number Seven
Resolution to Approve Changes to the ScholarShare Outreach and Public Education Plan

Ms. Greene stated that the Board annually reviews the ScholarShare Outreach and Public Education (SCOPE) Plan. Ms. Greene highlighted the proposed changes to the SCOPE Plan which included the addition of mission and vision statements, core values and strategic goals, all developed in collaboration with SIB staff and an independent marketing consultant in spring 2011. Ms. Greene added that SIB staff utilizes the SCOPE Plan when evaluating current and potential marketing and outreach activities. Ms. Greene commented that awareness and education about the ScholarShare Plan is important to the growth of accounts and assets. Ms. Greene agreed SIB Staff would follow up with Member Vargas regarding his request for strategic planning with the Board.

Board Action

Member Johnson moved to approve the item before the Board, Resolution No. 2011-08, Resolution of the ScholarShare Investment Board approving changes to the ScholarShare Outreach and Public Education Plan. The motion was seconded by Member Vargas and approved by the Board.

Board Agenda Item Number Eight
Review and Analysis of Fidelity Investments' Investment Performance for the ScholarShare Advisor Plan for Second Quarter 2011 and Resolution to Remove the Short Term Asset Class Portfolio from Watch Status

Mr. Chris Sharpe, Fidelity, presented Fidelity's Investment Performance Review for the Advisor Plan for second quarter 2011, highlighting the current market and performance of the portfolios.

Mr. Thiessen presented PCA's Investment Performance Status Report for the Advisor Plan for second quarter 2011. Mr. Thiessen also presented PCA's memo recommending the Short Term Asset Class Portfolio be removed from watch status.

Board Action

Member Hershman moved to approve the item before the Board, Resolution No. 2011-09, Resolution of the ScholarShare Investment Board approving the removal of the Short Term Asset Class Portfolio from watch status. The motion was seconded by Member Johnson and approved by the Board.

Board Agenda Item Number Nine **Review and Analysis of Fidelity Investments' Investment Performance for the ScholarShare Direct Plan for Second Quarter 2011 and Resolution to Remove the Active Short Term Asset Class Portfolio from Watch Status**

Mr. Sharpe presented Fidelity's Investment Performance Review for the Direct Plan for second quarter 2011, highlighting the current market and performance of the portfolios.

Mr. Thiessen presented PCA's Investment Performance Status Report for the Direct Plan for second quarter 2011 and recommended that the Active Short Term Asset Class Portfolio be removed from watch status.

Board Action

Member Gillihan moved to approve the item before the Board, Resolution No. 2011-10, Resolution of the ScholarShare Investment Board approving the removal of the Active Short term Asset Class Portfolio from watch status. The motion was seconded by Member Vargas and approved by the Board.

Board Agenda Item Number Ten **Fidelity Investments' Marketing Update for the ScholarShare Direct Plan**

Mr. Joe Ciccariello, Fidelity, presented the marketing update for the Direct Plan for the first half of 2011. This included an update on account and asset growth to date, an overview of the 2011 marketing budget, and a summary of activities planned for the remainder of 2011.

Ms. Agullana noted the difficulty in allocating the remaining marketing funds with Fidelity after the announcement of the new program manager in early-June. Ms. Agullana noted that many planned marketing efforts were cancelled to avoid confusion among potential participants during the transition period. Board Members commented and voiced their agreement of this action.

Board Agenda Item Number Eleven **Fidelity Investments' Marketing Update for the ScholarShare Advisor Plan**

Mr. Matt Golden, FIIS, presented Fidelity's 2011 Marketing and Distribution Update for the Advisor Plan which included an overview of Fidelity's marketing goals and distribution strategies, account and asset results, key trends, budget, and a summary of the marketing campaign activity in 2011.

Board Agenda Item Number Twelve
Review of Fidelity Investments' Administrative Performance for the ScholarShare
Direct Plan and Advisor Plan for Second Quarter 2011

Mr. Ciccariello presented Fidelity's administrative performance report for the Direct Plan for second quarter 2011. Mr. Ciccariello provided explanations for the two areas of underperformance. Mr. Golden also presented Fidelity's administrative performance report for the Advisor Plan for second quarter 2011.

Public Comment

Chair Wynne called for public comment. There was none.

Mr. Ciccariello thanked the Board and SIB staff, stating that Fidelity had experienced a true partnership and enjoyed the candor and feedback of the group. Mr. Ciccariello wished the Board and SIB staff good luck with the new program manager.

Ms. Agullana thanked Fidelity on behalf of the SIB staff and the Board, noting that it had been a pleasure working with the Fidelity team.

There being no further business before the Board, the Chair adjourned the meeting at 3:32 PM.

Respectfully submitted by,

Zeny M. Agullana, Executive Director
ScholarShare Investment Board